

FISCAL NOTE

HB 1468 – SB1975

March 22, 2007

SUMMARY OF BILL: Enacts the “Tennessee Sales Tax on Food Refund Program” to be administered by the Department of Human Services (DHS), with assistance from the Department of Revenue. The program’s purpose is to provide sales tax refunds on food purchased by Tennessee families for whom the sales tax on food is most likely to create an undue burden. Requires DHS to prepare and submit an annual report on the operations of the program to the Governor and the General Assembly.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$57,670,000 Recurring
\$500,000 One-Time**

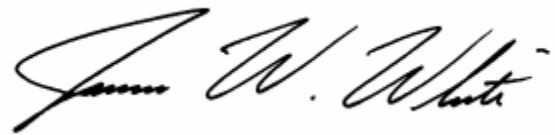
Assumptions:

- DHS shall promulgate rules and regulations pursuant to the Uniform Administrative Procedures Act. The rules shall establish, at a minimum: (1) eligibility criteria, (2) refund amounts or levels and the forms of refunds, (3) payment provisions, including permitted uses of refunds, (4) household reporting requirements, and (5) recoveries.
- According to DHS, and based from data obtained from the Census Bureau concerning the number of Tennessee families living at or below poverty, and data based on the number of Tennessee households currently participating in the Food Stamp program, a minimum of 176,100 Tennessee households are assumed to be eligible for the sales tax refund program as proposed.
- The Thrifty Plan food budget for a family of three is estimated to be \$408 per month; sales tax on such budget is estimated to be \$24.48 per month (\$408 X 6% rate = \$24.48).
- The total amount of sales tax refunds is estimated to exceed \$51,730,000 per year (176,100 minimum households X \$24.48 per month X 12 months = \$51,731,136).
- \$1.70 per electronic fund transfer (EFT) payment.

- The increase to recurring state expenditures for EFT payment processing is estimated to exceed \$3,590,000 per year (176,100 minimum households X \$1.70 X 12 months = \$3,592,440).
- A minimum 50 additional positions for DHS to implement program.
- Recurring state expenditures related to the additional DHS positions (salaries, benefits, travel, communications, office space, etc.) is estimated to average \$47,000 per position per year.
- The increase to recurring state expenditures related to the additional DHS positions is estimated to exceed \$2,350,000 per year (50 minimum positions X \$47,000 per position = \$2,350,000).
- The net increase to one-time state expenditures related to the hiring of the additional positions, for form development, and for computer and software modifications is estimated to be \$500,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director